



Between the Lines

Daily Corporate News Analysis

May 17th, 2006

Deccan Chronicle Holdings Ltd (DCHL)

Update :Q4 & FY06 Results

Key Data

CMP	Rs 527
Date	May 17 th , 2006
Sector	News Paper
Face Value	10/-
BSE Code	532608
52 Week H/L	Rs 568 / 181
Market Cap	Rs 2173 Cr

Investment Rationale

Deccan Chronicle Holdings Ltd., the publishers of Deccan Chronicle, the leading English daily in Andhra Pradesh has posted robust performance as its operational income and net profit as they have vaulted by 90 percent and 72 percent respectively during Q4FY06. Strong revenue growth from Chennai edition has resulted in superior financial numbers in this quarter. The company has successfully forayed into Chennai market with rapid growth in readership. It is also expanding its printing capacity at Chennai to 5,50,000 copies hence going forward, subscription as well as advertisement revenue from Chennai edition would contribute towards increase in revenue along with consistent leadership position in Hyderabad market. In future combination of couple of factors like expansion of geographical reach by Odyssey India, higher advertising revenue, benefits of cost savings in news gathering, analysis and editorial staff and raw material procurement will push its earnings higher. Further the company's plan to enter into Bangalore market in H2FY07 and shareholder's value unlocking in the retail venture – Odyssey India's IPO would provide trigger points in time to come. Hence, we opine that investors can buy the stock.

Key Developments:

Odyssey India's IPO to unlock investment value of DCHL

In September 2005, DCHL had acquired 100 percent in odyssey India for Rs 60 crore. Odyssey India operates leisure chain stores across 6 cities with 12 stores. In order to fund its aggressive expansion plans and to unlock its investment in Odyssey India, the company has opted for IPO route by offering 25% of post issue capital in capital market. At the later stage, DCHL may distribute its holding of Odyssey India to its share holders in proportionate manner.



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About Odyssey India:

Odyssey India currently operates 12 leisure stores (Selling books, books, gift and stationery) across 6 cities with 60,000 Sq. Ft. Its plan involves setting up additional 17 stores by 2008 across South and Western India with additional 3.28 lakh Sq. Ft. of floor space. At present, turnover for 4 months of FY06 (September Year ending) stands at Rs 10 crore, which would increase in the coming time with improved margins as the company is aggressively expanding its geographical reach with entry into lucrative markets like Mumbai & Pune.

Financial Performance:

Income from operations surges by 90 percent

Deccan Chronicle has posted a surge of 89.8 percent in net revenues to Rs 89.50 crore in Q4 FY06 as against Rs 47.15 crore in Q4 FY05. During this period other income increased by 132.8 percent to Rs 7.38 crore. The company has nearly doubled its income from operations at Rs 330.87 crore in FY06, where as the same was Rs 165.65 in FY05. We believe substantial improvement in the subscription as well as advertisement revenue from Chennai edition has contributed to the increase in revenue along with consistent leadership position in Hyderabad market. Company's total income during previous fiscal has vaulted by 106.8 percent to Rs 352.2 crore.

Valuations:

At current market price of Rs 527, DCHL is quoting at a PER of 32.5x. On EV/Sales and on EV/EBIDT basis it is quoting at 6.6x and 21.1x of its TTM earnings respectively.



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